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March 6, 2002

REDACTED FOR PUBLIC INSPECTION

BY ELECTRONIC FILING

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: *Application by Verizon-New New Jersey Inc. for Authorization To Provide In Region InterLATA Services In State Of New Jersey, Docket No. 01-347*

Dear Mr. Caton:

AT&T submits this *ex parte* letter and the attached Declaration of Steve Bickley relating to the internal costs that an efficient carrier incurs upon local entry. As demonstrated by WorldCom, an efficient entrant's internal costs upon entry exceed \$10.00. AT&T's analysis of its own internal costs are consistent with those submitted by WorldCom. See Bickley Declaration ¶¶ 1-8. In particular, AT&T's analysis shows that an efficient entrant's internal costs upon entry in New Jersey exceed \$10.00. See *id.*

Also attached to this *ex parte* letter is an attestation by Michael Lieberman that the IntraLATA toll contribution to UNE-P margins in New Jersey as stated in AT&T's March 5, 2002 *ex parte* letter in the above captioned proceeding accurately reflect his estimates. In addition, in the second to last sentence of AT&T's March 5, 2002 *ex parte* letter relating to IntraLATA toll revenues in New Jersey, AT&T inadvertently referred to "interLATA" toll revenues rather than "intraLATA" toll revenues. Thus, the word "interLATA" should be replaced by the word "IntraLATA."

Sincerely,

A handwritten signature in cursive script that reads "Robert W. Quinn, Jr.".

cc: Dorothy Attwood
Alexis Johns
Susan Pie
Deena Shetler
Joshua Swift
Ann Berkowitz (Verizon)

In the Matter of

Application of Verizon New Jersey, Inc.,
BellAtlantic Communications, Inc. (d/b/a Verizon
Long Distance), NYNEX Long Distance Company
(d/b/a/ Verizon Enterprise Solutions), Verizon
Global Networks, Inc., and Verizon Select Services,
Inc., for Authorization to Provide In-Region
InterLata Services in New Jersey

CC Docket No. 01-347

Based on my personal knowledge and on information learned in the course of my duties, I, Steven P. Bickley, declare as follows:

1. My name is Steven P. Bickley. I am Vice President of Finance for the CFO division of AT&T Consumer. I am responsible for financial planning, operational and business analysis for AT&T's local operations. As part of my job, I evaluate and review AT&T's internal costs to offer local telephone service in order to evaluate the financial viability of providing residential local service in markets that AT&T has not yet entered. The purpose of this declaration is to demonstrate why, based on recent cost analyses, AT&T requires at least a \$10 margin beyond connectivity costs to enter the UNE-P local market in New Jersey.

2. AT&T's experience in providing residential UNE-P based service to more than one million customers in New York and Texas is that it faces ongoing internal costs of more than \$10 per month that must be covered by the gross margin between its total

local revenues and its connectivity costs paid to the incumbent. Much of that amount is comprised of costs over which AT&T has little control. Notably, the costs that I identify below do *not* include any start-up costs of creating an infrastructure to provide local service, nor do they include any economic profit to AT&T. The start-up costs that are omitted from this analysis include, among others, the development of systems to interconnect with the ILEC's OSS systems, external billing mechanisms, the training of customer care representatives for the entry state, and systems readiness testing.

3. First, AT&T incurs average customer care costs of approximately ***

*** per line per month. These include all customer servicing costs, including the cost of answering customers' questions about their service, providing trouble support when customers report service problems, ordering and provisioning, and performing account maintenance functions. These costs are primarily a function of normal customer activity. However, these costs may significantly increase if an incumbent provides poor OSS support for AT&T's local service provided via UNE-P.

4. Second, AT&T incurs uncollectible expenses when customers do not pay their bills. AT&T's New York experience is that about *** *** of its revenue is uncollected when customers do not pay their customer service bills. Applying that factor to the record evidence (submitted by WorldCom) expected average revenues for New Jersey of approximately \$18.43 per line per month generates an uncollectible expense of *** *** per month per line.

5. Another internal cost is for billing and collections, which approximates *** *** per month per line. This includes the cost of collecting and collating customer billing information, preparing and sending out initial bills, sending letters to customers who do not pay, and associated collection activities.

6. AT&T's experience in New York and Texas is that the marketing and sales cost to acquire a local telephone customer is expected to average *** per line. This includes advertising, telemarketing and other marketing channel costs, as well as the cost of various incentives necessary to win customers away from the entrenched monopolist. Amortizing this expense over a reasonable customer retention period generates an average monthly cost of ***.

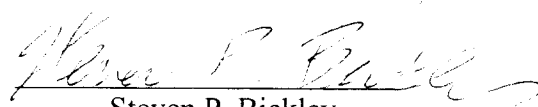
7. Finally, AT&T incurs modest other General & Administrative costs of approximately *** per month per line. These costs include incremental product and market management associated with a local marketplace offer, e.g., personnel costs and production material.

8. The sum of these foreseeable monthly internal costs is ***. As noted above, this figure does not include all monthly internal costs, particularly start up expenses.

9. This concludes my declaration on behalf of AT&T.

VERIFICATION PAGE

I, Steven P. Bickley, declare under penalty of perjury that the foregoing is
true and correct.


Steven P. Bickley

March 1, 2002

VERIFICATION PAGE OF MICHAEL LIEBERMAN

I declare under penalty of perjury that the IntraLATA toll contribution to UNE-P margins in New Jersey as stated in AT&T's March 5, 2002 *ex parte letter* accurately reflect my calculations.

A handwritten signature in black ink, appearing to read "Michael Lieberman", written over a horizontal line.

Michael Lieberman

Executed on: March 5, 2001